

TITLE IV  
USECHAPTER 28  
DEFINITIONS

[Prior to 12/17/86, Revenue Department[730]]

**701—28.1(423) Taxable use defined.** A “taxable use” is the exercise of any right of ownership over tangible personal property in Iowa by any person owning the property but does not include the right to sell the property in the regular course of business or the right to process or manufacture the property into another article of tangible personal property intended to be sold ultimately at retail.

A taxable use is also an enumerated taxable service rendered, furnished or performed for use in Iowa or the product or result of such enumerated service used in Iowa. For list of enumerated services and exemptions from tax, see 701—Chapter 26.

Laws governing the return of defective vehicles by a purchaser, commonly known as “lemon laws,” are found in Iowa Code chapter 322G. Under Iowa Code chapter 322G, the return of a qualifying defective vehicle to a manufacturer is not a taxable “use.” Consequently, the transfer of the vehicle from a purchaser to a manufacturer pursuant to Iowa Code chapter 322G and the titling and registration of that vehicle by the manufacturer are not subject to Iowa use tax. For refund of use tax paid by a purchaser of a vehicle that is returned under Iowa Code chapter 322G, see 701—34.3(423).

**701—28.2(423) Processing of property defined.** “Processing of property” is defined to include:

**28.2(1)** Personal property which forms an integral or component part of the manufactured product which is intended to be sold ultimately at retail.

**28.2(2)** Property which is consumed as fuel in creating power, heat or steam for processing, including grain drying or generating electric current, or consumed in implements of husbandry engaged in agricultural production.

**28.2(3)** Property consisting of chemicals, solvents, sorbents or reagents which are directly used, consumed or dissipated in processing personal property which is intended to be sold ultimately at retail, even though such property does not become a component or integral part of the finished product. This ordinarily does not include any item of machinery, tools or equipment.

**701—28.3(423) Purchase price defined.** “Purchase price” means the total amount for which tangible personal property is sold, valued in money, whether paid in money or otherwise, provided that cash discounts and trade-in allowances allowed and taken on sales or purchases shall not be included.

**701—28.4(423) Retailer maintaining a place of business in this state defined.** “Retailer maintaining a place of business in this state” or any term similar to it includes any retailer having or maintaining within this state, directly or by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any representative operating within this state under the authority of the retailer or its subsidiary, irrespective of whether that place of business or representative is located here permanently or temporarily, or whether the retailer or subsidiary is admitted to do business within this state pursuant to Iowa Code chapter 490. On and after July 1, 2001, the term also includes any retailer having or maintaining tangible personal property located in Iowa and leased to a lessee of the retailer. The tax is applicable to any lease payments due on or after that date.

This rule is intended to implement Iowa Code subsection 423.1(10) as amended by 2001 Iowa Acts, House File 736.

These rules are intended to implement Iowa Code chapter 423.

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